Air Liquide Danmark A/S

Annual report 2019

CVR no. 15 03 61 17

Approved at the Company´s annual general meeting,
Chairman:

……………………………..
Frederic Despreaux

Air Liquide Danmark A/S, Høje Taastrup Vej 42, DK-2630 Taastrup

Contents

INFORMATION ABOUT THE COMPANY

Company	Air Liquide Danmark A/S Høje Taastrup vej 42 2630 Taastrup		
	Phone	76 25 25 25	
	Fax	76 25 25 35	
	Homepage	www.airliquide.dk	
	E-mail	info.denmark@airliquide.com	
	CVR.no.	15 03 61 17	
	Established	23 November 1962 under the name Hede Nielsen Investment A/S. Name changed in 1996 to Hede Nielsen A/S after merger with Hede Nielsen A/S (founded 1906). Name change in 2003 to the present name.	
	Domicile	Høje Taastrup	
	Accounting year	1 January - 31 December (58th accounting year)	
Board	Frederic Despreaux (chairman)		
	Virginie Reynaud		
	Mathilde Godard		
	Claire Szulman Turgis		
	Floris Mackor		
	Jean-Baptiste Ripart		
	Dorthe Kracht		Elected by the employees
	Ronnie Hjulmand		Elected by the employees
Executive Board	Christian Tomsen Tommi Heikkinen		
Auditor	Ernst & Young Denmark P/S Dirch Passers Allé 36 2000 Frederiksberg		

STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Air Liquide Danmark A/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements gives a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Taastrup, 24 April 2020

Executive Board:

Christian Tomsen	Tommi Heikkinen

Board of Directors:

Frederic Despreaux Chairman	Jean-Baptiste Ripart	Virginie Reynaud
Mathilde Godard	Floris Mackor	Claire Szulman Turgis
Dorthe Kracht Elected by the employees	Ronnie Hjulmand Elected by the employees	

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report
To the shareholders of Air Liquide Danmark A/S

Opinion
We have audited the financial statements of Air Liquide Danmark A/S for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ► Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- ►Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- ►Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- ►Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (continued)

- ►Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 24 April 2020
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Alex Petersen	Mads Vinding
State Authorised	State Authorised
Public Accountant	Public Accountant
mne28604	mne42792

FINANCIAL HIGHLIGHTS

	2019 mill DKK	2018 mill DKK	2017 mill DKK	2016 mill DKK	2015 mill DKK
Profit and loss account:					
Revenue	453,7	444,8	446,5	436,7	449,7
Ordinary operating profit	16,3	10,0	24,5	41,8	48,2
Financial items, net	0,0	-1,0	-0,7	-0,9	-0,9
Profit for the year	16,1	10,8	11,4	36,6	37,2
Balance sheet:					
Total assets	464,1	400,2	437,4	427,8	392,4
Total equity	183,6	175,0	208,3	196,9	160,3
Investments in property, plant and equipment	99,7	65,5	31,7	18,2	44,1
Employees:					
Number of average full-time employees	180	173	173	168	175
Ratios in %:					
Gross margin	37,4	32,6	35,2	32,2	36,3
Profit margin	3,6	2,3	5,5	9,6	10,7
Return on assets	3,8	2,4	5,7	10,2	12,4
Equity share	39,6	43,7	47,6	46,0	40,9
Return on equity	9,0	5,6	5,6	20,5	23,3

RATIOS

The ratios in financial highlights are calculated as follows:

Gross margin $\dfrac{\text{Gross profit (Revenue - Gross margin) x 100}}{\text{Revenue}}$

Profit margin $\dfrac{\text{Ordinary operating profit x 100}}{\text{Revenue}}$

Return on assets $\dfrac{\text{Ordinary operating profit x 100}}{\text{Average assets}}$

Equity share $\dfrac{\text{Total equity, end of year x 100}}{\text{Total liabilities, end of year}}$

Return on equity $\dfrac{\text{Profit for the year x 100}}{\text{Average equity}}$

MANAGEMENT REPORT
(DKK '000)

Main activities
The main activities of Air Liquide Danmark A/S (the Company) are development, and the production and sales of industrial and medical gases, related equipment and services.

The company is part of the Air Liquide Group, a world wide group within industrial and medical gases.

The parent company of the Group, L'Air Liquide S.A., is quoted on the Euronext stock exchange in Paris.
The consolidated annual report is available online in which an even more detailed management report is available.
Besides the annual report our corporate "Magazine" website holds various publications regarding our business.

The fiscal year
Profit for the year amounted to 16.083, an increase of 49 % compared to the result of last year, 10.776. The result is considered satisfied considering the market conditions and the fact that the result is significantly affected by impairment by impairment of intangible assets in the amount of 14.014 (before tax). Impairment relates to development projects which at the end of 2019 are considered technologically obsolete.

Net Sales met the expectation and increased to 453.661 equal to 2 % growth.

Gross margin increased from 32,6 % to 37,4 % to total 169.709 compared to last year, 144.908.

The announced sale of the company Vejlevej 13, Horsens ApS has once again been postponed due to external events.
The sales is expected to be completed during 3rd quarter 2020.

Expected development
We expect to see a slight increased level of activity during 2020. Sales are expected to increase with only 1 % due to price pressure and fierce competition. We expect a slightly increase in the net resultat, although the planned sale of "Vejlevej 13 Horsens ApS" will have a significant positive impact on the net result.

The initial expectations could be impacted by the worldwide Covid19 pandemic spreading Spring 2020.

Research and development
Research and development activities mainly take place at group level in R&D centers in Germany and France.

Impact on the environment
Annually, there is an assessment of our most significant environmental aspects. The areas that have been identified with most the impact are Fire / Explosion, Emissions to air and Energy consumption. As an environmental priority, we work with local actions to decrease our environmental impact of these areas.

Subsequent events
No events have occurred that could be considered to have a material influence on the financial position of the company.
The executive management has taken relevant precautions related to the global Covid19 pandemic. E.g. to secure cash flow, safety and to minimize the overall financial impact.

Corporate Social Responsibility (CSR)
Air Liquide Danmark A/S is a subsidiary of the Air Liquide Group, quoted on the Euronext stock exchange in Paris. The Company is therefore covered by the same policies that apply for all other subsidiaries. These policies are included in a document referred to as the "Bluebook" which describes the general principles, rules and processes that the Group is governed by in the same responsible way throughout the world. Since the Company is covered by these policies local country policies are not made and therefore this is not reported separately for the Company.

Human rights
In line with our Principles of Action, we are committed to complying with all laws and regulations in force, and in particular the rules of fair trade and we do not tolerate corruption in any form. Our behavior and actions are driven by the principles of integrity and transparency.

Specific codes of conduct are intended to illustrate certain key concepts in the code of conduct. They are shared and provided throughout the Group and are enrollow ongoing and follow up for new suppliers, employees etc:

1) An Anti-Corruption Code of Conduct
2) Competition Law Codes of Conduct by broad geographic area
3) A Digital Protection Code of Conduct
4) A Suppliers Code of Conduct (translated into 13 languages)

Human rights (continued)
Risks related to subcontractors are covered by mandatory "Suppliers Code of Conduct". In the work with subcontractors, there is a risk of human rights violations.

The Company ensures that all new subcontractors and suppliers sign the mandatory Supplier Code of Conduct, which includes human rights. In 2019, there were no human rights violations reported or identified.

Air Liquide is dedicated to the highest standards for the conduct of its business. Air Liquide, through its group Chairman and Chief Executive Officer, has signed the United Nations Global Compact, an initiative in which the 10 founding principles relate to Human Rights, international labor standards, the environment and the fight against corruption.

Available online on our group website is our "2018 Integrated Management report and Environmental & Society reporting". A paper consisting of 125 pages describing the subject.

Employees
The Company offers its employees a safe work place, with respect for the individual whilst dealing with any form of discrimination. Salaries are competitive and are set in relation to results. The Company promotes a culture of diversity, openness and transparency.

The Company carries out regular employee surveys, where employees can express their level of satisfaction with their workplace. The results of these surveys are followed by the management, and initiatives are set in motion to deal with any weak points.

Besides the yearly performance appraisal review discussions we have also conducted personal interviews with a fifth of all employees letting them express their wishes for their future development.

The employees are the most important asset for Air Liquide, and the most material risk in regard to our employees is considered to be their safety in the workplace.

Safety first
The no. 1 key value for Air Liquide is "safety first". Generally we see employees and external staff as one when it comes to safety. All must apply to our high standards and follow all instructions and guidelines. On a monthly basis accidents and near-accidents and report centrally to always improve our safety.

During 2020 the group has continued the "road safety" project launched in 2019. The focus is not only on professional drivers and our trucks but also transportation to and from work in car, on bike, on foot or by public transportation.

Besides the "road safety" project two key areas have been defined:
1) Safety for individuals - a pro active approach which engages Air Liquide employees and those of its subcontractors
2) Process safety - safety related to our industrial plants and our IMS (Industrial Management System)

Air Liquide’s employees lost-time accident frequency rate was 1.2 at the end of 2019. This is the third year in a row with a positive development with a reduction at 8 % compared to last year.

Environment
Group can contribute to a more sustainable world. This is why local initiatives are encouraged as part of Air Liquide’s Corporate Sustainability Program. The Air Liquide Foundation also contributes to these through its own projects.

Air Liquide Danmark A/S has decided to focus their policies within climate and environment on climate, as Air Liquide Denmark has evaluated that this is the area on which the company's operations has the largest impact.

The Company strives as far as possible to protect natural resources and works towards sustainable development both within the Company and its customers.

The Company respects environmental demands coming from the law, regulations and international agreements. The use of energy and other limited resources on Company owned installations is being limited via continuous technical developments. Eventual emissions and refuse must be controlled and handled in accordance with applicable rules.

Annually, there is an assessment of our most significant environmental aspects. The areas that have been identified with most impact are Fire / Explosion, Emissions to air and Energy consumption. As an environmental priority, we work with local actions to decrease our environmental impact of these areas.

The continuous focus on limiting the use of energy and limited resources also in 2019 lead to a decrease in emissions and use of resources in the Company owned installations.

Environment (continued)
All employees have a responsibility to support the Company's environmental commitment by following applicable rules, routines and best practices. It is the individual employee's responsibility to inform his or her line manager of any situation where the relevant rules and routines are not being complied with or where there may be any form of environmental risk.

The Company has also invested in solutions for producing sustainably generated hydrogen as a fuel in the transport sector.

Decreased power consumption
Air Liquide takes the climate challenge very seriously and strives to contribute to a more sustainable world.

As the first gas supplier in the Nordic countries, we therefore introduce Green Origin, climate smart gas, for liquid oxygen, nitrogen, argon and carbon dioxide as of 1 January 2018. The gases complies with ISO 14021.

Green Origin labeled gas will from that date be the new standard liquid gas offer within Air Liquide in the Nordics. Green Origin is produced exclusively from wind and hydro power in the Nordic region, and the CO2 emissions from our transports are 100% climate compensated. This is guaranteed by purchasing “Guarantees of origin” from the power companies, and by purchasing climate compensation projects that are included in the UN’s CDM system and also fulfill the requirements from Gold Standard Foundation.

During 2019 we submitted an energy optimization report to local authorities for actions to be taken to decrease energy consumption.

Anti corruption
Air Liquide comply with "Sapin II", the French legislation in regards to anti corruption. The Danish entity is therefore a part of this. The group performs an yearly internal audit which is approved by the management. The internal audit is ex. random tests of contracts with agents and commission. In general the Nordic division is classified as low risk in terms of anti corruption.

Further all employees within Air Liquide may not- either directly or indirectly- offer, promise, request, demand or accept bribes or any other inappropriate advantages or gifts in order to obtain a favourable position for the Company or for his or her own personal situation, or in order to influence the result of a negotiation. If there is the slightest doubt about these questions, the employee should consult his or her line manager.

During 2019 the completion rate of Anti-Bribery E-learning reached 98 % (2018: 81 %). The target is 100 % which is on a continuous basis followed up.

Gender representation in the management
The organization treats employees equally and employees are therefore offered equal opportunities to pursue their career, independent of their origin, sexual orientation, gender, age, belief, handicap or any other characteristic which is protected by law.

The board has set an objective for the under-represented gender (women) to be 40%. Since last year this has been increased from 25 % to an equal gender split, with 3 out of 6 members being female.

During 2019 the Air Liquide Group has globally announced new gender diversity targets. This means that several new initiatives have been taken both on a local and a global level. In Denmark the biggest focus has been on increasing the amount of females in the job application pools. This, because it's a proven method to increase the amount of hired women. Several initiatives have been taken;

- HR is Co-writing critical job advertisements with females in the business in order to make sure that the job adverts are attractive to all genders.
- Targeted search/headhunting aimed at increasing the gender underrepresented in the candidate pool.
- Analysis of Air Liquide imagery - Making sure that we are portraying a diverse workforce on our webpage, in job adverts and social media, in order to attract a wide range of applicants.

These, and other initiatives, have had a great impact on the amount of recruited females. Air Liquide Denmark has in 2019 increased the amount of females recruited by 14 percent points compared to 2018.

The amount of female Managers has increased slightly and is now 26 %. However, thanks to the dramatic increase in recruited females the past two years, we have increased the amount of females in the internal candidate pool. The positive effect of this is expected to be seen within the coming 3-5 years.

ACCOUNTING POLICIES

The annual report has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large reporting class C entities.

Accounting policies are the same as last year.

Group Financial Statements
In accordance with The Danish Company Accounts Act section 112, subsection 1, consolidated accounts have not been prepared. The annual accounts for Air Liquide Danmark A/S and affiliated undertakings are included in the consolidated accounts for L'Air Liquide S.A., Paris

Cash flow
In accordance with section 86, subsection 4, of the Danish Financial Statements Act no cash-flow statement has been prepared, whereas this is included in a cash flow statement for L'Air Liquide S.A.

Auditors fee
Referring to the Danish Financial Statement Act section 96, subsection 3, information on fees to auditors decided on general meeting has been omitted. Reference is made to the consolidated financial statements of L'Air Liquide S.A.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments
On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustment of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement.

Leased assets recognize in accordance with IAS17
Leasing contracts, which are not giving the company full ownership, right to use and risk related to this, are recognized as operational leases. Payments on operational leases are recognised in the income statement over the duration of the leas contracts. Liabilities in terms of these leases are disclosed in note Contingent liabilities.

Revenue
Revenue is recognized according to IAS 18.

On the conclusion of sales contracts which consist of several, separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods and services are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be calculated reliably and when each individual sales transaction has a separate value for the purchaser. Sales transactions are deemed to have a separate value for the purchaser when the transaction is individually identifiable and is usually sold separately.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Revenue from the sale of goods
Income from the sale of goods for resale and finished goods, gas and related equipment, is recog-
nised in revenue when the most significant rewards and risks have been passed on to the buyer and provided the income can be measured reliably and payment is expected to be received. The date at which the most significant rewards and risks are passed on is based on standardised terms of delivery based on Incoterms® 2010.

Income from the sale of goods where installation is a prerequisite for considering major risks to have been transferred to the purchaser is recognised in revenue when the installation is complete.

Revenue from the sale of services
Income from the sale of services, which include service contracts, is recognised in revenue on a straight-line basis as the services are rendered, as the services are provided in the form of an indefinite number of actions over a specified period of time.

Cost of goods sold
Cost of goods sold are indirectly and directly costs for raw material and assisting materials.

Other external costs
Other external costs includes costs for distribution, sales, marketing, facilities and loss on debtors.

Personnel cost
Personnel cost includes, salaries, vacation debt and other social security costs for the personnel in the company.

ACCOUNTING POLICIES (continued)

Depreciation
Depreciation is computed on a straight line basis and is based on the expected financial useful lifetime of the assets and in accordance with the following rules:

Land	NA years	(0% p.a.)
Buildings	20 years	(5% p.a.)
Technical plant and machinery	30 years	(3.3% p.a.)
- Production plants	40 years	(2.5% p.a.)
Cylinders	20 - 40 years	(5 - 2.5% p.a.)
Equipment	5 - 10 years	(20 - 10% p.a.)
Acquired Software	12.9 years	(7.75% p.a.)
Completed development projects	5 years	(20% p.a)

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial items
Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on current year result
Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Intangible assets
On initial recognition, intangible assets are measured at cost.
Development costs comprise expenses, salaries and amortisation charges directly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and where the technical feasibility, sufficient resources and a potential future market or development potential are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years.

Acquired software are measured at cost less accumulated amortisation and impairment losses.

Acquired software are amortised on a straight-line basis.

ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment includes land and buildings, leashold improvements, technical plant and machinery, equipment and cylinders. Tangible fixed assets are valued at cost less accumulated depreciation.

Land and buildings, technical plant and machinery, equipment and cylinders are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Repair and maintenance costs are recognized as expenses when incurred. The costs of major inspections and overhauls (for example cylinder testing) are recognized as a separate component of the asset and are depreciated over the period between two major overhauls.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in subsidiaries
Investments in subsidiaries are recognized according to the equity method.

Investments in subsidiaries are recognized and measured at their proportionate share of net asset value under the equity method, the value being determined on the basis of the accounting policies of the Company less unrealised intra-group profits and losses.

To the extent the carrying amount exceeds the acquisition value, the net revaluation of investments in subsidiaries is transferred to the net revaluation reserve under the equity method.

Investments
Investments, recognized under "Financial assets", comprise of unlisted shares measured at costs.

Inventories
Raw materials and finished goods are measured in accordance with FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development is expected selling price.

Work in progress and finished goods manufactured by the company are valued at cost price, direct wages and production overheads. Production overhead include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

Receivables
Receivables are recognized according to IAS 39 and are measured at amortised cost, which is normally equal to the nominal value.

An impairment loss is recognised if there is objective evidence that a receivable is impaired.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received.

Prepayments
Prepayments comprise expenses incurred concerning subsequent financial years.

Equity
Dividends expected to be paid for the year is shown as a separate entry in the equity specification. Proposed Dividend is included as an obligation at the time when it is approved by the General Assembly.

ACCOUNTING POLICIES (continued)

Reserve for development costs
The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or if they are no more part of the Company's operations by a transfer directly to distributable reserves under equity.

Reserve for revaluation under the equity method
Reserve for revaluation under the equity method is recognised adjustment between amortized cost and net booked value based on the equity method on subsidiaries. Investments with negative net asset values are recognised at DKK 0.

Reserve for revaluation
The reserve for revaluation is recognised adjustments between an assets amortized cost and the net booked actual value. The principle is no longer used and the reserve is related to adjustments prior 2005.

Dividend
Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

Income tax and deferred tax
The tax corresponding to the result of the year plus adjustments for earlier years are expensed in the profit and loss account.

Provisions for deferred tax is correspond to the current tax rate of the difference between accounting value and tax value of tangible fixed assets, current assets and provisions.

Payment of tax on account is deducted in taxes payable at year-end.

Deferred tax assets are included at the value which they are expected to be utilized at, either through deduction in future income or offset in deferred tax payable.

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions
Provisions comprise anticipated costs related to decommissioning cost, warranty commitments, restructuring, etc. Provisions are recognised when, as a result of past events, the Company has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Liabilities
Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

INCOME STATEMENT

(DKK '000)

	Note	2019	2018
REVENUE	1	**453.661**	**444.846**
Costs of goods sold		110.233	120.219
Other operating income	2	277	3.372
Other external costs		173.996	183.091
GROSS MARGIN		**169.709**	**144.908**
Staff costs	3	110.402	101.537
Depreciation, amortization and impairment	4	42.985	33.351
OPERATING PROFIT		**16.322**	**10.020**
Result of shares in subsidiaries	10	3.230	3.638
Financial Income	5	687	112
Financial expenses	6	646	1.071
PROFIT BEFORE TAX		**19.593**	**12.699**
Tax on current year result	7	3.510	1.923
PROFIT FOR THE YEAR		**16.083**	**10.776**

BALANCE SHEET

(DKK '000)

ASSETS	Note	2019	2018
INTANGIBLE ASSETS	8		
Software		1.660	3.241
Completed development projects		1.241	16.221
		2.902	19.462
PROPERTY, PLANT AND EQUIPMENT	9		
Land and buildings		8.708	8.942
Technical plant and machinery		119.128	126.557
Equipment		5.427	7.010
Cylinders		77.307	63.791
Assets under construction		126.927	57.802
		337.496	264.102
FINANCIAL ASSETS			
Investment in subsidiaries	10	17.434	14.204
		17.434	14.204
TOTAL FIXED ASSETS		**357.832**	**297.768**
CURRENT ASSETS			
Inventories		24.873	23.638
RECEIVABLES			
Trade receivables		54.417	49.024
Receivables from affiliated companies		2.124	5.554
Income taxes		0	3.995
Other receivables		13.271	10.197
Prepayments	11	4.147	6.066
		73.958	74.836
CASH		7.425	8.568
TOTAL CURRENT ASSETS		**106.256**	**107.042**
TOTAL ASSETS		**464.088**	**404.811**

BALANCE SHEET (continued)

(DKK '000)

EQUITY AND LIABILITIES	Note	2019	2018
EQUITY			
Share capital	12	44.000	44.000
Reserve for development costs		1.250	12.381
Revaluation reserve under the equity method		6.479	3.249
Revaluation reserve		6.382	6.382
Retained earnings		101.600	101.504
Dividend proposed for the financial year		23.889	7.500
TOTAL EQUITY		**183.600**	**175.016**
PROVISIONS			
Deferred tax	13	34.756	35.417
Other provisions	14	559	479
TOTAL PROVISIONS		**35.315**	**35.896**
NON - CURRENT LIABILITIES OTHER THAN PROVISIONS			
Prepayment from customers		5.624	5.269
Payables to affiliated companies	15	77.000	49.000
Other payables		3.652	0
TOTAL NON CURRENT LIABILITIES		**86.276**	**54.269**
CURRENT LIABILITIES OTHER THAN PROVISIONS			
Current portion of payables to affiliated companies	15	7.000	7.000
Prepayment from customers		18.512	18.327
Trade creditors		79.260	65.076
Payables to affiliated companies		32.729	22.885
Income taxes		488	0
Other payables		20.907	26.341
TOTAL CURRENT LIABILITIES		**158.897**	**139.629**
TOTAL LIABILITIES OTHER THAN PROVISIONS		**245.173**	**193.898**
TOTAL EQUITY AND LIABILITIES		**464.088**	**404.811**

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STATEMENT OF CHANGES IN EQUITY

(DKK '000)

Movements in the equity can be specified as follows:

2018	Share capital	Dividend for the financial year	Reserve for development cost	Revaluation reserve	Retained earnings	Revaluation reserve under equity method	Total
Capital and reserves 1 Jan.	44.000	44.014	8.203	56.888	55.149	0	208.254
Dividend paid	0	-44.014	0	0	0	0	-44.014
Appropriation of profit / loss	0	7.500	4.178	-50.506	46.355	3.249	10.776
Capital and reserves 31 Dec.	44.000	7.500	12.381	6.382	101.504	3.249	175.016

2019	Share capital	Dividend for the financial year	Reserve for development cost	Revaluation reserve	Retained earnings	Revaluation reserve under equity method	Total
Capital and reserves 1 Jan.	44.000	7.500	12.381	6.382	101.504	3.249	175.016
Dividend paid	0	-7.500	0	0	0	0	-7.500
Appropriation of profit / loss	0	23.889	-11.131	0	96	3.230	16.083
Capital and reserves 31 Dec.	44.000	23.889	1.250	6.382	101.600	6.479	183.600

NOTES

(DKK '000)

1. REVENUE

In accordance with the Danish Financial Statements Act section 96, subsection 1, the company has elected not to show any segmentation of the Net Sales.

2. OTHER OPERATING INCOME

Other operating income in 2018 and 2019 relates to insurrance claims.

3. STAFF COSTS

	2019	2018
Wages and salaries, employees	95.819	87.672
Social security and other staff costs	1.459	1.281
Pension, company shares	8.442	7.470
Salaries to the Executive Board	4.682	5.114
	110.402	101.537
Number of average full-time employees	180	173

4. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Intangible assets	16.706	7.703
Tangible assets	26.279	25.649
	42.985	33.351

5. FINANCIAL INCOME

Interest, intercompany	9	9
Other financial income	678	103
	687	112

6. FINANCIAL EXPENSES

Interest, intercompany	494	526
Other financial costs	152	545
	646	1.071

(DKK '000)

7. TAX

	2019	2018
The tax amount expensed in the profit and loss account results from the following:		
Tax calculated on taxable income	4.155	1.963
Tax adjustment previous year	16	-476
Change of deferred tax for the year	-556	359
Change of deferred tax regarding prevoius year	-105	77
Tax	3.510	1.923
Tax paid on account during the year	3.612	2.806

8. INTANGIBLE ASSETS

	Acquired software	Completed development projects
Cost 1 January	50.645	31.823
Additions	0	146
Cost at 31 December	50.645	31.969
Amortization and impairment 1 January	47.404	15.602
Amortization and impairment for the year	1.581	15.126
Amortization and impairment 31 December	48.985	30.728
Net book value	1.660	1.241

Amortization and impairment for the year includes impairment loss of 14.014 related to development projects which at the end of 2019 are considered technologically obsolete.

Development projects to be included in special reverse under equity "Reverse for development costs":

Beginning 2019	12.381
Additions	3.995
Reduction of reserve due to amortization and impairment for the year	-15.126
Reserve for development costs, 2019	1.250

NOTES (continued)
(DKK '000)

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Cylinders	Assets under construction
Cost 1 January	32.265	516.516	59.234	272.629	57.802
Additions	71	5.154	417	8.643	85.418
Transfer	206	-203	78	16.212	-16.293
Disposals	294	22.596	7.702	101	0
Cost 31 December	32.248	498.871	52.025	297.384	126.927
Revaluations in previous years	777	6.850	556	0	0
Revaluations on disposals	0	0	0	0	0
Revaluations in previous years	777	6.850	556	0	0
Depreciation 1 January	24.100	396.809	52.780	208.838	0
Depreciation on disposals	294	22.596	7.672	101	0
Depreciation on transfer	0	-2.382	0	2.382	0
Depreciation for the year	511	14.763	2.047	8.958	0
Depreciation 31 December	24.317	386.594	47.155	220.077	0
Net book value	8.708	119.128	5.427	77.307	126.927

(DKK '000)

10. INVESTMENTS IN SUBSIDIARIES

	Investments
Cost 1 January	10.955
Cost 31 December	10.955
Value adjustment 1 January	3.249
Value adjustments for the year	3.230
Value adjustment per 31 December	6.479
Net book value	17.434

Name and belonging	Vote and ownership	Net result	Equity
Vejlevej 13, Horsens ApS, Høje Taastrup, Denmark	100%	3.230	17.434

All subsidiaries are independent entities

11. PREPAYMENTS

	2019	2018
Prepaid insurrances	19	102
Other prepayments	4.128	5.964
	4.147	6.066

12. SHARE CAPITAL

The share capital, par value 44 mio. DKK, consists of:

	2019	2018
1 A-share of 300.000 DKK	300	300
1 A-share of 1.700.000 DKK	1.700	1.700
1 B-share of 6.626.000 DKK	6.626	6.626
1 B-share of 23.374.000 DKK	23.374	23.374
1 C-share of 12.000.000 DKK	12.000	12.000
	44.000	44.000

The Commpany's Share Capital has been unchanged in the last five years.

NOTES (continued)

(DKK '000)

		2019	2018
13.	DEFERRED TAX		
	Deferred tax 1 January	35.417	35.008
	Changes in deferred tax regarding prevoius year	-105	50
	Changes in deferred tax for the year	-556	359
	Deferred tax 31 December	34.756	35.417
	Deferred tax relates to:		
	Buildings	-450	-475
	Machinery, equipment etc.	17.446	17.302
	Cylinders	17.124	14.128
	Acquired software	638	4.281
	Trade receivables	-704	-561
	Dismantel and others	702	742
		34.756	35.417
	Deferred tax - expected realization		
	0-1 year	3.700	2.776
	1-5 years	16.036	10.380
	>5 years	15.019	22.261
		34.756	35.417
14.	OTHER PROVISIONS		
	Provision for the dismantling of plant and machinery	559	479
		559	479
15.	PAYABLES TO AFFILIATED COMPANIES		
	0-1 Year	7.000	7.000
	1-5 Years	57.000	28.000
	>5 Years	20.000	21.000
		84.000	56.000

NOTES (continued)

(DKK '000)

16. CONTINGENT LIABILITIES

Guarantees of 4.550 have been issued. (2018: 4.507)

Rental and leasing commitments on land and buildings are 5.998 (2018: 11.192), of which following are due within 12 months 5.306 (2018: 7.053)

Leasing commitments of vehicles amount to 12.785 (2018: 10.349), of which following are due within 12 months 4.861 (2018: 5.312)

Commitments related to production amount to 20.097, all of which falls due between 2020-2021. (2018: 19.125)

17. RELATED PARTIES

Related parties comprise the Company's shareholders, Board of Directors, Executive Board, employees and subsidiaries of the ultimate parent company L'Air Liquide S.A., Paris

Air Liquide Danmark A/S is included in the consolidated financial statements of the ultimate parent company, L'Air Liquide S.A., Paris. The consolidated financial statements of the ultimate parent company can be obtained at https://www.airliquide.com/investors

Transactions with related parties relates mainly of purchase and sale of gas and cylinders including financing from related parties. Transactions with related parties have been performed within the arm's length principle.

18. APPROPRIATION OF PROFIT /LOSS

	2019	2018
Dividend proposed for the year	23.889	7.500
Reserve development projects	-11.131	4.178
Revaluation reserve under the equity method	3.230	3.249
Reserve revaluation assets	0	-50.506
Retained earnings	96	46.355
	16.083	10.776

19. HEDGES

The Company uses forward exchange contracts to hedge expected currency risks, mainly related to purchase of goods in the coming year. Forward exchange contracts has been made for currency exposures in EUR, USD and SEK with a future contractual value of 110.035 at 31 December 2019 (2018: 152.969)

20. SUBSEQUENT EVENTS

The global pandemic Covid-19 has cause increased focus on cash flow and forecast. The executive management has made excessive assessments to minimize the financial impact. The current analysis does not indicate a change in the overall view of the financial status of Air Liquide Danmark A/S.